



SOCIAL SECURITY INFORMATION CENTER

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SOCIAL SECURITY QUESTIONS AND ANSWERS

Q. Will the President's plan effect today's seniors?

- The President's proposals will not change the Social Security system in any way for those born before 1950.
- President Bush is committed to strengthening Social Security and fixing the program for our children and grandchildren.

Q. Is Social Security in crisis?

- Leadership means not passing on problems to future Presidents and future generations.
- The number of people paying into Social Security, relative to those taking out, has dropped from 16 to 1 in 1950 to 3.3 to 1 today, and is expected to drop to only 2 to 1 when today's younger workers reach age 65. With every passing year, fewer workers will be paying ever-higher benefits to ever-larger numbers of retirees.
- In 2008, baby boomers will begin to retire, by 2018, the government will begin to pay out more in Social Security benefits than it collects in payroll taxes, and by 2042 – when younger workers begin to retire – the system will be bankrupt.

Q. Is the Administration "privatizing" Social Security?

- No, the President is acting to ensure that the promise of Social Security is there for our children and grandchildren.
- Personal accounts allow younger workers to put a portion of their payroll taxes into a conservative mix of bond and stock funds.
- Voluntary personal accounts give younger workers the opportunity to build a nest egg that they can pass on to their love ones.
- Personal accounts are owned and controlled by the individual – the government cannot take them away.
- The Federal government would continue to operate Social Security, delivering benefits to today's seniors, and tomorrow's seniors, whether or not they choose personal accounts.

Q. Aren't personal accounts risky?

- Any proposal will include limitations on the risk of investment permitted in personal accounts and will include low-risk, low-cost options similar to those currently available to Federal employees.

Q. Isn't this going to be a big windfall for Wall Street?

- Personal accounts will be managed similar to the Federal employee retirement system, which historically has had low costs.
- The Social Security actuary estimates that the administrative fees for these accounts will be 30 basis points (30 cents on \$100) and the majority of these fees will be for recordkeeping and account management – not performed by Wall Street.

Q. Won't establishing personal accounts create transition costs?

- According to the Social Security Trustees, doing nothing will cost us, and our children and grandchildren, an estimated \$10.4 trillion dollars. Passing on that debt on is irresponsible.
- Every plan scored by Social Security Administration that contains personal accounts would, according to actuarial analysis, reduce the costs of permanently fixing the system.
- Personal retirement accounts will pre-fund retirement benefits the current system already owes. It is like prepaying your mortgage – you incur some costs on existing obligations now to reduce your costs later.

Q. Will personal accounts fix the system's financial problems?

- As part of a comprehensive program, voluntary personal accounts will help make Social Security a better deal for future generations.

Q. Would benefits need to be cut?

- Benefits will remain the same for current retirees and near-retirees.
- Under all of the plans before Congress, future retirees will receive benefits with a value at least as high as those paid to today's seniors, even after adjusting for inflation, whether they choose to establish a personal account or not.

Q. Will the retirement age need to be raised?

- The details of the solution will be negotiated by the Administration and the Congress. We are not going to prejudge the outcome of those negotiations.